Financial statements

Law Claims Levy Fund

Contents

Queensland Law Society Incorporated
Law Claims Levy Fund

Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	NOTES	2013 $	2012 $
Revenue			
Insurance levies	2	28,925,243	27,914,432
Total levies		**28,925,243**	**27,914,432**
Other income			
Investment income		2,480,341	2,141,019
Realised gains (losses) on financial assets – fair value through profit or loss		(699,231)	(255,672)
Fair value gains (losses) on financial assets – fair value through profit or loss		1,764,943	(309,689)
Total other income		**3,546,053**	**1,575,658**
Total revenue		**32,471,296**	**29,490,090**
Expenses			
Administration expenses		115,324	111,600
Audit fees		17,438	19,000
Insurance expense	2	29,002,169	27,557,536
Insurance claims	4	(48,477)	(213,382)
Reinsurance recoveries		–	(85,532)
Total expenses		**29,086,454**	**27,389,222**
Operating surplus		**3,384,842**	**2,100,868**
Other comprehensive income		–	–
Total comprehensive income for the year		**3,384,842**	**2,100,868**

The accompanying notes form part of these statements.

Queensland Law Society Incorporated
Law Claims Levy Fund

Statement of financial position as at 30 June 2013

	NOTES	2013 $	2012 $
Current assets			
Cash and cash equivalents	7(a)	32,359,185	32,231,792
Receivables	5	51,122	124,281
Total current assets		**32,410,307**	**32,356,073**
Non-current assets			
Financial assets at fair value through profit or loss	7(b)	37,001,802	31,914,893
Total non-current assets		**37,001,802**	**31,914,893**
Total assets		**69,412,109**	**64,270,966**
Current liabilities			
Income in advance	3	29,009,080	27,203,309
Payables		34,202	33,672
Provision for outstanding claims	4	–	50,000
Total current liabilities		**29,043,282**	**27,286,981**
Net assets		**40,368,827**	**36,983,985**
Equity			
Accumulated surplus		40,368,827	36,983,985
Total equity		**40,368,827**	**36,983,985**

The accompanying notes form part of these statements.

Statement of changes in equity for the year ended 30 June 2013

	2013 $	2012 $
Accumulated surplus		
Balance at 1 July	36,983,985	34,883,117
Total comprehensive income for the year	3,384,842	2,100,868
Balance at 30 June	**40,368,827**	**36,983,985**

Statement of cash flows for the year ended 30 June 2013

	NOTES	2013 $ Inflows (outflows)	2012 $ Inflows (outflows)
Cash flows from operating activities			
Receipts from the profession		30,731,015	33,058,868
Claim payments		(1,523)	(220,618)
Reinsurance recoveries		–	85,532
Payments to suppliers		(29,134,759)	(27,717,298)
Interest receipts		450,858	336,850
Net cash provided by operating activities	6(c)	**2,045,591**	**5,543,334**
Cash flows from investing activities			
Proceeds from disposal of Investments		1,681,453	1,475,747
Payments for Investments		(4,071,000)	(1,460,000)
Cash distributions received		471,349	669,505
Net cash flows from investing activities		**(1,918,198)**	**685,252**
Net increase/(decrease) in cash and cash equivalents held		**127,393**	**6,228,586**
Cash and cash equivalents at the beginning of the financial year		**32,231,792**	**26,003,206**
Cash and cash equivalents at the end of the financial year	7(a)	**32,359,185**	**32,231,792**

The accompanying notes form part of these statements.

Notes to and forming part of the financial statements for the year ended 30 June 2013

NOTES

Objectives and principal activities

The Queensland Law Society Incorporated ('the Society'), pursuant to s232 of the *Legal Profession Act 2007* ('the Act') is authorised to establish and maintain a fund for the purposes of providing insurance to the legal profession of Queensland.

The Law Claims Levy Fund ('The Fund') was created in 1987 to provide professional indemnity insurance to Queensland solicitors. The Fund is responsible for the management of professional indemnity claims of practitioners for the years 1987 to 1995, and the administration of insurance matters (jointly with Lexon Insurance Pte Ltd (Lexon)) in accordance with the Queensland Law Society Indemnity Rule 2005.

1. Summary of significant accounting policies

a. Statement of Compliance

The Fund has prepared these financial statements in compliance with section 43 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards and interpretations. In addition, the financial statements comply with the Treasurer's Minimum Reporting Requirements for the year ending 30 June 2013 and other authoritative pronouncements.

Except where stated, the historical cost convention is used.

b. Revenue

Insurance levies are recognised as revenue at the commencement of the risk period covered by the policy and accrued proportionally over the period of coverage.

Additional levies may be imposed in accordance with the indemnity rules and are accounted for separately and disclosed as income of the Fund. Investment revenue is recognised as it accrues, taking into account the effective yield on the financial asset and is also recognised net of bank charges.

c. Taxation

The Fund is exempt from income tax by virtue of Section 50-25 of the *Income Tax Assessment Act 1997* with the exception of Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing activities and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

d. Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits on call with financial institutions. Short-term deposits are an interest bearing account which is readily convertible to cash on hand at the Society's option and is subject to a low risk of change in value. Investments are brought to account at fair value as indicated in Note 7.

Notes to and forming part of the financial statements for the year ended 30 June 2013

1. Summary of significant accounting policies (continued)

e. Other receivables

Interest receivable represents interest earned on funds held up to balance date which has not yet been received.

The Fund has brought to account solicitors' deductibles and penalties receivable from practitioners. These receivables have been recognised on an accrual basis and are carried at actual amounts. The collectability of trade debtors is assessed at reporting date with provision being made for impairment. All known bad debts were written-off as at 30 June.

f. Provision for outstanding claims

Claims are actuarially assessed and the movement in the actuarial assessment is disclosed in the statement of profit or loss and other comprehensive income as movement in outstanding claims. Actual claim payments are separately disclosed.

g. Financial assets, at fair value through profit or loss

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Funds investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the reporting date.

h. Income in advance

Income in advance relates to insurance levies collected from the profession in relation to the upcoming insurance year. (ie current year levies in advance relate to collections for the insurance year 1 July 2013 to 30 June 2014).

i. Payables

Trade creditors are recognised on receipt of the goods or services and are carried at actual amounts, gross of applicable trade and other discounts. Amounts are unsecured and are generally settled on 30 day terms.

j. Employee Benefits

The fund has no employees and as such no benefits are payable.

k. Professional indemnity insurance

The Queensland Law Society Incorporated entered into a Master Policy agreement with Professional Indemnity Insurers to limit the maximum liability of the Fund for both individual claims and aggregate amounts. The Fund incurs all expenses up to a prescribed amount per individual claim until such time as the aggregate amount has been reached at which time the Professional Indemnity Insurers incur all future costs. The respective individual liability per claim is listed in Note 8.

l. Judgments and assumptions

Full provision is made for the estimated cost of all claims admitted or intimated but not settled at the reporting date as determined by the actuary, less reinsurance recoveries, using the best information available at that time.

The Fund has made no other judgments or assumptions which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

m. Audit fees

The audit fees paid and payable to the Queensland Audit Office to perform an audit of the Fund's transactions for 2012-13 are estimated to be $17,438 (2012: $19,000) This amount is included in the profit or loss and other comprehensive income.

Notes to and forming part of the financial statements for the year ended 30 June 2013

1. Summary of significant accounting policies (continued)

n. New and revised accounting standards

The Fund did not voluntarily change any of its accounting policies during 2012-13. Australian Accounting Standard changes applicable for the first time for 2012-13 have had minimal effect on the Fund's financial statements, as explained below.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 and 1049] became effective from reporting periods beginning on or after 1 July 2012. The change impacts the Statement of Profit or Loss and Other Comprehensive Income whereby items within the Other Comprehensive Income section need to be presented in different sub-sections, according to whether or not they are subsequently re-classifiable to the operating result. Whether subsequent re-classification is possible depends on the requirements or criteria in the accounting standard/interpretation that relates to the item concerned.

The Fund is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, the Fund has not applied any Australian accounting standards and interpretations that have been issued but are not yet effective. The Fund applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian accounting standards with future commencement dates are as set out below.

AASB 13 Fair Value Measurement applies from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of fair value, as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Fund's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and financial statement disclosures made in respect of, such assets and liabilities.

The Fund has not yet assessed the full impact of this standard, however, no significant changes are anticipated, based on the fair value methodologies presently used. Therefore, at this stage, no consequential material impacts are expected for the Fund's property, plant and equipment as from 2013-14.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not observable outside the Fund, the amount of information to be disclosed will be relatively greater.

A revised version of AASB 119 Employee Benefits applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively. The revised AASB 119 includes changed criteria for accounting for employee benefits as short-term employee benefits whereby short-term employee benefits will only include benefits that are expected to be wholly settled before 12 months after the end of the reporting period in which the employees provide the associated service. If that criterion is not met, such benefits will need to be categorised and accounted for as other long-term employee benefits (which may comprise both current and non-current components). The distinction between short-term and other long-term employee benefits should be made on a whole-of-class basis ie not according to differing circumstances that may apply from employee to employee.

Under the revised AASB 119, the recognition and measurement of employer obligations for other long-term employee benefits will need to be accounted for according to most of the requirements for defined benefit plans.

Notes to and forming part of the financial statements for the year ended 30 June 2013

1. Summary of significant accounting policies (continued)

n. New and revised accounting standards (continued)

The revised AASB 119 clarifies the concept of termination benefits, including distinguishing them from post-employment and other benefits. The recognition criteria for liabilities for termination benefits are different under the revised standard. If termination benefits meet the timeframe criterion for short-term employee benefits, they are to be measured according to the requirements for short-term employee benefits. Otherwise, if the short-term employee benefits criterion is not met, the termination benefits are to be measured according to the requirements for other long-term employee benefits.

The requirements for measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets, are substantially different under the revised AASB 119. There are also a number of new concepts and definitions.

AASB 1053 Application of Tiers of Australian Accounting Standards applies as from reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as Tier 1), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as Tier 2). Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

Details of which disclosures in standards and interpretations are not required under Tier 2 reporting are set out in amending standards AASB 2010-2, AASB 2011-2, AASB 2011-6, AASB 2011-11, AASB 2012-1, AASB 2012-7 and AASB 2012-11 (which also apply from reporting periods beginning on or after 1 July 2013). However, Queensland Treasury and Trade's Financial Reporting Requirements effectively do not allow application of AASB 2011-6 in respect of controlled entities, associates or interests in jointly controlled entities.

Pursuant to AASB 1053, public sector entities like the Fund may adopt Tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the Tier 1 requirements. In the case of the Fund, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised that its policy decision is to require adoption of Tier 1 reporting by all Queensland Government departments and statutory bodies that are consolidated into the whole-of-government financial statements. Therefore, the release of AASB 1053 and associated amending standards will have no impact on the Fund.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2014:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 127 (revised) Separate Financial Statements
- AASB 128 (revised) Investments in Associates and Joint Ventures
- AASB 2011 -7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 and 1038 and Interpretations 5, 9, 16 and 17].

The AASB is planning to amend AASB 10. Such amendments are expected to clarify how the IASB's principles about control of entities should be applied by not-for-profit entities in an Australian context. Hence, the Fund is not yet in a position to reliably determine the future implications of these new and revised standards for its financial statements.

Notes to and forming part of the financial statements for the year ended 30 June 2013

1. Summary of significant accounting policies (continued)

n. New and revised accounting standards (continued)

AASB 10 redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into an entity's financial statements. Therefore, once the AASB finalises its not-for-profit amendments to AASB 10, the Fund will need to reassess the nature of its relationships with other entities.

AASB 11 deals with the concept of joint control and sets out new principles for determining the type of joint arrangement that exists, which in turn dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Subject to any not-for-profit amendments to be made to AASB 11, the Fund will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11. If a joint arrangement does exist, the Fund will need to follow the relevant accounting treatment specified in either AASB 11 or the revised AASB 128, depending on the nature of the joint arrangement.

AASB 1055 Budgetary Reporting applies from reporting periods beginning on or after 1 July 2014. From that date, based on what is currently published in the Queensland Government's Budgetary Service Delivery Statements, this means the Fund will need to include in these financial statements the original budgeted statements for the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Statement of Cash Flows. These budgeted statements will need to be presented consistently with the corresponding (actuals) financial statements, and will be accompanied by explanations of major variances between the actual amounts and the corresponding budgeted financial statement.

In addition, based on what is currently published in the Queensland Government's Service Delivery Statements, the Fund will need to include in these financial statements the original budgeted information for major classes of administered income and expenses, and major classes of administered assets and liabilities. This budgeted information will need to be presented consistently with the corresponding (actuals) administered information, and will be accompanied by explanations of major variances between the actual amounts and the corresponding budgeted financial information.

AASB 9 Financial Instruments (December 2010) and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 and 1038 and Interpretations 2, 5, 10, 12, 19 and 127] become effective from reporting periods beginning on or after 1 January 2015. The main impacts of these standards on the Fund are that they will change the requirements for the classification, measurement and disclosures associated with the Fund's financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Fund has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the Fund's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the Fund enters into, it is not expected that any of the Fund's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2015-16 financial statements, all of the Fund's financial assets are expected to be required to be measured at fair value, and classified accordingly. The same classification will be used for net gains/losses recognised in the Statement of Profit or Loss and Other Comprehensive Income in respect of those financial assets. In the case of the Fund's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the Fund's activities, or have no material impact on the Fund.

Notes to and forming part of the financial statements for the year ended 30 June 2013

2. Insurance levies and premium

All insurance levies collected via the Queensland Law Society (QLS) renewal process were transferred to the Law Claims Levy Fund. The surplus collection can only be used in accordance with the Indemnity Rules for insurance purposes.

The fund continues to accumulate reserves in accordance with actuarial assessments for the benefit of all practitioners.

The insurance expense represents the amount payable under the master policy in accordance with the Indemnity Rules.

3. Income in advance

Income in advance relates to insurance levies collected from the profession during the renewals cycle which relate to insurance cover to be provided in the next financial year.

Income in advance	**2013**	**2012**
	$	**$**
Levies received in advance	29,009,080	27,203,309

4. Provision for outstanding claims

	2013	**2012**
	$	**$**
Opening balance at start of reporting period	50,000	484,000
Claims incurred	(48,477)	(213,382)
Claims paid	(1,523)	(220,618)
Closing balance at end of reporting period	**–**	**50,000**

	2013	**2012**
	$	**$**
Current liability	–	50,000
Non-current liability	–	–
	–	**50,000**

The Fund has a policy with Lexon (formerly QLS Insurance Pte Ltd) which initially capped its liability for future payments at $5m at 1 July 2002.

Notes to and forming part of the financial statements for the year ended 30 June 2013

5. Receivables

	2013 $	2012 $
Current		
Interest receivable	50,439	123,955
GST receivable	683	326
	51,122	**124,281**

6. Notes to the cash flow statement

a. Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments on money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as disclosed in note 7a.

b. Financing facilities

The Fund has no external non-cash financing or any standby credit facilities or any other loan facilities.

c. Reconciliation of net cash provided by operating activities to operating surplus for the year

	2013 $	2012 $
Surplus for the year	3,384,842	2,100,868
Adjustments for:		
Net investment income	(3,168,711)	(1,407,475)
Changes in assets and liabilities:		
Decrease in receivables	73,159	170,598
Decrease in provision for outstanding claims	(50,000)	(434,000)
Increase/(decrease) in payables	530	(31,093)
Increase in income in advance	1,805,771	5,144,436
Net cash provided by operating activities	**2,045,591**	**5,543,334**

Notes to and forming part of the financial statements for the year ended 30 June 2013

7. Cash and financial assets

	2013 $	2012 $
7(a) Current assets:		
Cash at bank	93,385	169,593
Short-term deposits at cost	30,265,800	21,562,199
Term deposit	2,000,000	10,500,000
Total cash and cash equivalent	**32,359,185**	**32,231,792**

	2013 $	2012 $
7(b) Financial assets, at fair value through profit or loss:		
Collective investment schemes	37,001,802	31,914,893

The portfolio of financial instruments held consists of collective investment schemes. The fair value of the financial instruments is determined using net asset value of the collective investment schemes.

Managed funds include units in various funds with the following managers:

- Queensland Investment Corporation
- UBS Global Asset Management
- AMP Capital Investors
- BNP Paribas Investment Partners
- Tasman Asset Management (Tyndall)
- Zurich Investments Management
- Schroder Investment Management
- Denning Pryce.

8. Contingent liabilities

Under the present insurance agreements the total liability of the Fund for the respective years of insurance is limited to $100,000 (1987-1994) and $500,000 (1995) per individual claim and this amount is reduced by the amount of the solicitor's deductible. Also an aggregate limit per respective year of insurance applies and this limits the total liability of the Fund.

Based on the actuarial advice in respect of the position of the Fund as at 30 June 2013 (Finity – August 2013), the insurance in place with regard to the limits per file, and the overall Fund's aggregate limit as at 30 June 2013, the Society is of the opinion that the funds on hand together with future investment income and deductibles, and in conjunction with Stop Loss cover (see note 4) will ensure that all future claims will be met as and when they fall due.

Notes to and forming part of the financial statements for the year ended 30 June 2013

9. Financial risk

The Fund's activities expose it to a variety of financial risks: market risk (currency risk, price risk and interest rate risk), credit risk and liquidity risk.

a. Currency risk

The Fund is not exposed to significant foreign currency risk as the majority of the Fund's transactions, assets and liabilities are denominated in Australian dollars.

The Fund outsources its investment activities to respected fund managers who use defined risk management techniques as part of the Fund's mandates.

All investments in income securities are predominately hedged where a currency exposure exists.

As part of the Fund's investment mandate it may hold units in funds which hold unhedged international securities. Any unhedged position will be in accordance with the strategic asset allocation, and is monitored regularly by management.

b. Price and interest rate risk

The Fund is exposed to equity securities price risk arising from the investments classified as other financial assets. These securities are held with Australian fund managers.

The Fund seeks to reduce risk by diversifying across a range of securities, maturities and counterparties. Investments of funds are subject to risk control limits and constraints:

Duration and tracking error limits (interest rate management)

- The Modified Duration of the funds are constrained within a specified period either side of the Modified Duration of the Benchmark.
- Rolling year ex-post tracking error will be limited to a specified number of basis points. The ex-ante tracking error of the funds are not expected to exceed a specified number of basis points.

Sector exposure bands

- The weighting of each sector (eg domestic, international – government, non-government) within the funds will be maintained in specified limits.

Credit limits

- The funds will be invested in a broad and diversified range of securities across the credit spectrum.

Credit risk limits for individual security investments

- Individual security limits apply for direct physical holdings based on their credit rating and inclusion in the benchmark.

Management regularly review the performance and ensure all investments held are within the approved mandate.

Notes to and forming part of the financial statements for the year ended 30 June 2013

9. Financial risk (continued)

c. Credit risk

There is no significant credit risk with respect to the collectability of levies as the levy is compulsory. All levies are paid up front at the commencement of the period covered under the insurance policy.

Credit risk arising on funds placed with external fund managers is managed by established policies to ensure that the counter-parties have adequate financial ratings and appropriate credit history.

i. Financial assets that are neither past due or impaired

At the reporting date no financial assets are past due or impaired.

Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

Other financial assets are redeemable on demand. These are placed with reputable fund managers. The Fund holds units in two funds which have frozen redemptions as a result of the Global Financial Crisis (refer to Note 9(d)).

ii. Financial assets that are past due and/or impaired

No financial assets are past due.

d. Liquidity risk

In the management of liquidity risks, the Fund monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Fund's operations and mitigate the effects of fluctuations in cash flows. The Fund also constantly reviews its investment to ensure that there are sufficient cash and liquid deposits to meet its estimated outflows.

The Fund manages its expected cash flow requirements using the latest actuarial valuations detailing projected cash flows. These are monitored in conjunction with available cash and investments readily convertible to cash.

As at reporting date, the Fund's financial liabilities are all current.

The fund holds units in one fund with fair value of $628,741 (2012: $2,301,207 (two funds)) which has limited redemptions as a result of the Global Financial Crisis. This is a property fund and redemption would require disposal of real property which may be to the detriment of remaining unit holders. The fund is accounted for at fair value. This fund is not required for liquidity purposes.

Notes to and forming part of the financial statements for the year ended 30 June 2013

9. Financial risk (continued)

e. Interest rate and price sensitivity

The following interest rate sensitivity depicts the outcome to the profit and loss if the interest rates were to increase by 1% linearly from the year end yield curve applicable to the Fund's financial assets and liabilities which are subject to interest movements. With all other variables held constant, the Fund would have a decrease of $381,269 (2012: $384,875). A linear decrease of interest rates by 1% would result in an increase of $381,269 (2012: $384,875).

The following price sensitivity depicts the outcome to the profit and loss if all equity investments moved an average of 5% from the year end values. With all other variables held constant, the company would record an unrealised gain of $543,897 (2012: $406,600) for a 5% increase in market values and an unrealised loss of $543,897 (2012: $406,600) for a 5% decrease in market values.

f. Fair value

The carrying amount of cash and cash equivalent, receivables, payables and lease liabilities approximate their fair value and are not disclosed separately.

10. Related party transactions

	2013	2012
	$	$
Administration fees paid to Queensland Law Society	20,000	20,000

Declaration of Law Claims Levy Fund

The general purpose financial report has been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* ('the Act'), relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with Section 62(1)(b) of the Act we certify that in our opinion: –

a. the foregoing financial statements with other information and notes to and forming part thereof are in agreement with the accounts and records of the Law Claims Levy Fund; and

b. in our opinion –

   i. the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and

   ii. the financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Law Claims Levy Fund for the financial year ended 30 June 2013 and of the financial position as at the close of that year.

President
Annette Bradfield

Chief Executive Officer
Noela L'Estrange

30 August 2013

Independent Auditor's report

To the Council of Queensland Law Society Incorporated

Report on the Financial Report

I have audited the accompanying financial report of the Law Claims Levy Fund which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the President and Accountable Officer of the Queensland Law Society Incorporated.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which, in the Auditor-General's opinion, are significant.

Independent Auditor's report

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

a. I have received all the information and explanations which I have required; and

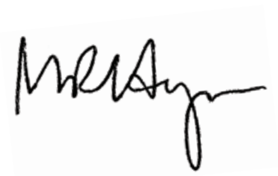
b. in my opinion –

   i. the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and

   ii. the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Law Claims Levy Fund for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year.

Other Matters – Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



M Hyman CA

Delegate of the Auditor-General of Queensland

Queensland Audit Office

Brisbane